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{ REPORT  
No. 1461

### EXTENSION OF SUGAR ACT OF 1948

JANUARY 26 (legislative day, JANUARY 16, 1956).—Ordered to be printed with an illustration

Mr. BYRD, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 7030]

The Committee on Finance, to whom was referred the bill (H. R. 7030) to amend and extend the Sugar Act of 1948, as amended, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

#### MAJOR PROVISIONS

The accompanying bill reenacts and extends for 6 years, to December 31, 1962, the Sugar Act of 1948, as amended, with further amendments dealing primarily with adjustments of quotas intended to restore to domestic producers their historic share in the growth of the United States sugar market and to revise the participation by foreign suppliers in this market. The present act, in the absence of any action by the Congress, would expire December 31, 1956.

The bill also extends for 6 years, to June 30, 1963, the excise tax on sugar in the Internal Revenue Code. The revenues from this tax exceed costs to the Government under the Sugar Act.

This legislation's major effect is to open the way for United States domestic producers to participate with foreign areas in supplying the growth of the United States sugar market.

Consumers' requirements of sugar in the United States last year amounted to 8.4 million short tons. The current determination of consumers' requirements for 1956 is 8,350,000 tons. The United States needs now are supplied 53.7 percent from domestic areas (consisting of 22 mainland States producing beets, and 2 mainland States, Hawaii, Puerto Rico, and the Virgin Islands, producing sugarcane); 33.1 percent from Cuba; 11.8 percent from the Philippines; and 1.4 percent from other foreign countries (including the Dominican Republic, Mexico, El Salvador, Haiti, Nicaragua, Peru, and all others).

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The present pattern of supplies is brought about by the provisions of the Sugar Act that assign fixed quotas amounting to 4,444,000 short tons, raw value, for the domestic producing areas, and 952,000 short tons, commercial weight, to the Philippines; and give to Cuba 96 percent, and to all foreign countries 4 percent, of the remaining portion of the United States market.

This bill maintains unchanged the participation of the domestic areas and of the foreign suppliers as a group in the present level (8,350,000 tons) of consumption requirements for the United States market.

But this legislation would open the way for United States producers to participate in the larger market constantly being created by the growth of our consumption of sugar, and to a lesser extent other foreign suppliers would enjoy a part of this expanding market along with Cuba, in the following manner:

The amount of the increase in our market above 8,350,000 short tons, raw value, would be apportioned 55 percent to domestic producing areas and 45 percent to the foreign suppliers.

Of the future increases apportioned to domestic areas, the first 165,000 tons will be supplied by the mainland areas where the surplus situation is most acute. The next 20,000 tons will be supplied by Puerto Rico which needs continued growth and thereafter 3,000 tons will be supplied by the Virgin Islands. Subsequent increases will be divided proportionately among the domestic areas. The quota for Puerto Rico was increased 170,000 tons, or nearly 19 percent, and the quota for the Virgin Islands increased 6,000 tons, or 100 percent, in the 1951 extension of the act which became effective in 1953.

Under the present act Cuba supplies 96 percent of the increasing requirements of the United States market. Under the amendments it will supply 96 percent of the increased imports from foreign countries during 1956 and thereafter will supply approximately 75 percent of our increasing import requirements. The quota for the Republic of the Philippines remains at the level established in the Philippine Trade Act during the life of this extension. The share of imports to be supplied by other foreign countries will be materially increased under the amendments provided for in this bill.

Table A shows the effects of the proposed amendments on the quotas and prorations for domestic and foreign areas on the assumption that our sugar requirements will continue to grow at the rate of 135,000 tons per year. Table B shows the 1955 basic quotas and the percentage increase each year and for the entire period in the annual quota for each area.

TABLE A.—*Sugar quotas and prorations: Amended H. R. 7030 as reported by Senate Committee on Finance, under assumed requirements, 1956-62*

[Short tons, raw value]

	1956	1957	1958	1959	1960	1961	1962
Assumed requirements.....	8,535,000	8,670,000	8,805,000	8,940,000	9,075,000	9,210,000	9,345,000
Domestic areas.....	4,545,750	4,620,000	4,694,250	4,768,500	4,842,750	4,917,000	4,991,250
Beet.....	1,852,401	1,884,975	1,910,807	1,940,523	1,970,739	2,000,955	2,031,171
Mainland cane.....	549,349	580,025	587,820	597,118	606,415	615,733	625,011
Hawaii.....	1,052,000	1,052,000	1,060,138	1,083,001	1,099,865	1,116,728	1,133,591
Puerto Rico.....	1,080,000	1,091,000	1,114,783	1,132,416	1,150,049	1,167,681	1,185,814
Virgin Islands.....	12,000	12,000	15,202	15,442	15,682	15,923	16,163
Foreign areas.....	3,989,250	4,050,000	4,110,750	4,171,500	4,232,250	4,293,000	4,353,750
Philippines <sup>1</sup> .....	980,000	980,000	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,888,880	2,917,120	2,962,750	3,008,380	3,054,010	3,099,640	3,145,270
"Full duty" countries.....	120,370	152,880	168,000	183,120	198,240	213,360	228,480
Dominican Republic.....	29,892	35,880	36,528	39,228	41,928	44,628	47,328
Mexico.....	12,394	24,059	30,591	41,991	47,391	52,791	58,191
Nicaragua.....	8,472	10,318	9,746	10,298	10,849	11,401	11,952
Peru.....	56,224	62,863	60,254	71,654	77,054	82,454	87,854
Haiti.....	2,892	4,379	4,136	4,370	4,604	4,838	5,072
Costa Rica.....	<sup>2</sup> (1,084)	3,439	3,248	3,432	3,616	3,800	3,984
Formosa.....	<sup>2</sup> (1,114)	3,439	3,248	3,432	3,616	3,800	3,984
Netherlands.....	<sup>2</sup> (1,123)	3,439	3,248	3,432	3,616	3,800	3,984
Panama.....	<sup>2</sup> (1,114)	3,439	3,248	3,432	3,616	3,800	3,984
Belgium.....	<sup>2</sup> (182)	209	225	238	251	263	276
British Guiana.....	<sup>2</sup> (85)	98	106	111	117	123	129
Canada.....	<sup>2</sup> (631)	723	780	824	868	912	956
Hong Kong.....	<sup>2</sup> (3)	3	4	4	4	4	4
United Kingdom.....	<sup>2</sup> (516)	592	638	674	710	746	782
El Salvador <sup>3</sup> .....	4,478						

<sup>1</sup> Philippine quota for 1956 is 980,000 tons, may vary slightly in subsequent years.<sup>2</sup> Average 1953-54 charges. These countries do not have specific prorations under the present law. These entries are made within the proration for unspecified countries which amounts to 6,018 tons when requirements are 8,535,000 tons.<sup>3</sup> No entries since 1949.

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TABLE B.—*Sugar quotas and prorations; Amended H. R. 7030 as reported by Senate Committee on Finance, under assumed requirements, 1956-62*

[1955 basic quotas and percentage increase in quotas each year from previous year, 1955-62]

	1955 basic quotas	1956	1957	1958	1959	1960	1961	1962	1955 to 1962
	Tons	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Assumed requirements.....	8,400,000	1.6	1.6	1.6	1.5	1.5	-0.5	1.5	11.2
Domestic areas.....	4,444,000	2.3	1.6	1.6	1.6	1.6	1.5	1.5	12.3
Beet.....	1,800,000	2.9	1.8	1.3	1.6	1.6	1.5	1.5	12.8
Mainland cane.....	500,000	9.9	5.6	1.3	1.6	1.6	1.5	1.5	25.0
Hawaii.....	1,052,000			1.3	1.6	1.6	1.5	1.5	7.8
Puerto Rico.....	1,080,000		1.0	2.2	1.6	1.6	1.5	1.5	9.8
Virgin Islands.....	12,000			26.7	1.6	1.6	1.5	1.5	34.7
Foreign areas.....	3,956,000	.8	1.5	1.5	1.5	1.5	1.4	1.4	10.1
Philippines.....	977,000	0							0
Cuba.....	2,859,840	1.0	1.0	1.6	1.5	1.5			10.0
Full-duty countries.....	119,160	1.0	27.0	9.9	9.0	8.3	7.6	7.1	91.7
Dominican Republic.....	29,591	<sup>1</sup> 1.0	20.0	1.8	7.4	6.9	6.4	6.0	159.9
Mexico.....	12,269	<sup>1</sup> 1.0	94.1	52.1	14.8	12.9	11.4	10.2	1374.3
Nicaragua.....	8,887	<sup>1</sup> 1.0	21.8	-5.6	5.7	5.4	5.1	4.8	142.6
Peru.....	55,658	<sup>1</sup> 1.0	11.8	5.4	8.2	7.5	7.0	6.5	157.8
Haiti.....	2,863	<sup>1</sup> 1.0	51.4	-5.6	5.7	5.4	5.1	4.8	177.2
Costa Rica.....	<sup>2</sup> (1,084)	( <sup>3</sup> )	( <sup>3</sup> )	-5.6	5.7	5.4	5.1	4.8	267.5
Formosa.....	<sup>2</sup> (1,114)	( <sup>3</sup> )	( <sup>3</sup> )	-5.6	5.7	5.4	5.1	4.8	257.6
Netherlands.....	<sup>2</sup> (1,123)	( <sup>3</sup> )	( <sup>3</sup> )	-5.6	5.7	5.4	5.1	4.8	254.8
Panama.....	<sup>2</sup> (1,114)	( <sup>3</sup> )	( <sup>3</sup> )	-5.6	5.7	5.4	5.1	4.8	257.6
Belgium.....	<sup>2</sup> (182)	( <sup>3</sup> )	( <sup>3</sup> )	7.7	5.8	5.5	4.8	4.9	51.6
British Guiana.....	<sup>2</sup> (85)	( <sup>3</sup> )	( <sup>3</sup> )	8.2	4.7	5.4	5.1	4.9	51.8
Canada.....	<sup>2</sup> (631)	( <sup>3</sup> )	( <sup>3</sup> )	7.9	5.6	5.3	5.1	4.8	51.5
Hong Kong.....	<sup>2</sup> (3)	( <sup>3</sup> )	( <sup>3</sup> )	33.3					433.3
United Kingdom.....	<sup>2</sup> (516)	( <sup>3</sup> )	( <sup>3</sup> )	7.8	5.6	5.3	5.1	4.8	51.6

<sup>1</sup> Increase over 1955 basic quotas before prorations of deficit.<sup>2</sup> No specific prorations 1955; amount shown is 1953-54 average entries.<sup>3</sup> No specific prorations 1955 or 1956.<sup>4</sup> Increase over 1953-54 average entries.

The committee has not included in the bill any specific directive for the distribution to individual producers within the various domestic areas of any additional quotas that may become available. The authority of the Secretary and his obligation to make equitable distribution and to protect the interests of new producers, small producers and tenants as set forth in subsection 302 (b) of the act appear to be sufficient, particularly since no suggested change in that subsection has been offered. An amendment was presented during the hearings which would have directed special treatment to those farms on reclamation projects on which any acreage suitable for sugar beet production has been made available. The record shows that the acreage of all growers in both the domestic cane and sugar beet areas has been substantially cut back and objection was registered with the committee to the provisions of the proposed amendment. The inclusion of the proposed directive would have substantially altered existing provisions of the act and the administrative machinery that has been developed for the making of an equitable distribution of acreage to all interested parties. The committee believes that any setting aside or earmarking of acreage for any special group or area is not in the interest of equitable or effective administration of the law, and that it is highly undesirable to change the terms of the present law, or its administration to accord special treatment to any group of growers or type of land.

Foreign countries which fail by a substantial margin to supply sugar to this market in years when the world price is higher than our domes-

tic price are subject to quota curtailment in future years, unless the failure results from crop disaster or force majeure or unless the Secretary finds that such curtailment is unwarranted.

Provisions of the Sugar Act which limit the entry of direct-consumption sugar within quotas of both foreign and offshore domestic areas would be varied slightly to permit an increase in such allocations for the offshore domestic areas and to permit those foreign countries which have relatively small quotas the convenience of shipping either raw or refined sugar to this market.

The method of prorating deficits would be changed slightly to insure that increases which domestic areas receive through market participation but which they are not able to fill shall first be prorated to other domestic areas, rather than to Cuba and the other domestic areas, as is the case under the present act. In the event a domestic area is unable to fill a proration of a deficit assigned to it which results from increased quota due to market participation, the unfilled portion also would be apportioned to other domestic areas unless no such area is able to supply the required quantity in which case it would be added to the quota of Cuba.

There are other amendments in the bill which deal with technical and administrative matters. These are discussed in detail in the analysis of the bill which appears later in this report.

#### GENERAL STATEMENT

Participation by United States sugar producers in the future market growth in this country does no more than restore to them the status they had under sugar-quota legislation prior to World War II.

In the Sugar Act of 1948, quotas for the domestic areas were limited to fixed quantities in order to assist Cuba in making the transition from wartime to peacetime conditions by assigning to her virtually all of the increases in the United States sugar market. It was recognized at the time that the change was of a temporary nature and that at the appropriate time the domestic areas should resume participation in market growth.

The committee is of the opinion that 1956 is the appropriate time in view of the fact that all of the domestic areas are producing at or above their quota levels even though successively more stringent production controls have been imposed in several of those areas.

Additional quotas granted to foreign countries are in line with our national policy of broadening our trade relations. Cuba retains its status as our largest foreign supplier by a wide margin and also retains a larger share in our market growth than any other area.

A number of other Latin American countries receive quota increases which are large proportionally to their marketings heretofore, but which are small in relation to our total imports.

Cuba's marketings in the United States will not increase as much as had been anticipated in 1956, under the provisions of this bill, because of participation by the domestic areas in market increases beginning that year. Cuba's share will also reflect the increases beginning in 1957 in the shares of the market assigned to other foreign countries.

The actual tonnage of sugar which Cuba will market in the United States is expected to increase, substantially, however, from year to

year because of the anticipated continuation of increases in our sugar consumption.

#### NATIONAL POLICY

For many years it has been the policy of the United States Government for defense and strategic reasons to preserve within the United States the ability to produce a portion of our sugar requirements. This has been done because sugar is an essential and vital food product needed by American consumers, the supply of which on a world-wide scale has been marked by periods of alternating scarcity and surplus.

A large portion of the world's sugar production is grown in tropical countries with essentially one-crop economies, where cheap labor is abundantly available. An additional large portion is distributed among the majority of the countries of the world which, like the United States, provide protection to their sugar industries. In these circumstances, it is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete on the open world market with sugar produced with cheap tropical labor. This can be readily seen from chart 1 which shows a comparison of wage rates of sugar-cane and sugar-beet workers for the sugar-producing areas of the United States and for a number of other sugar-producing countries.

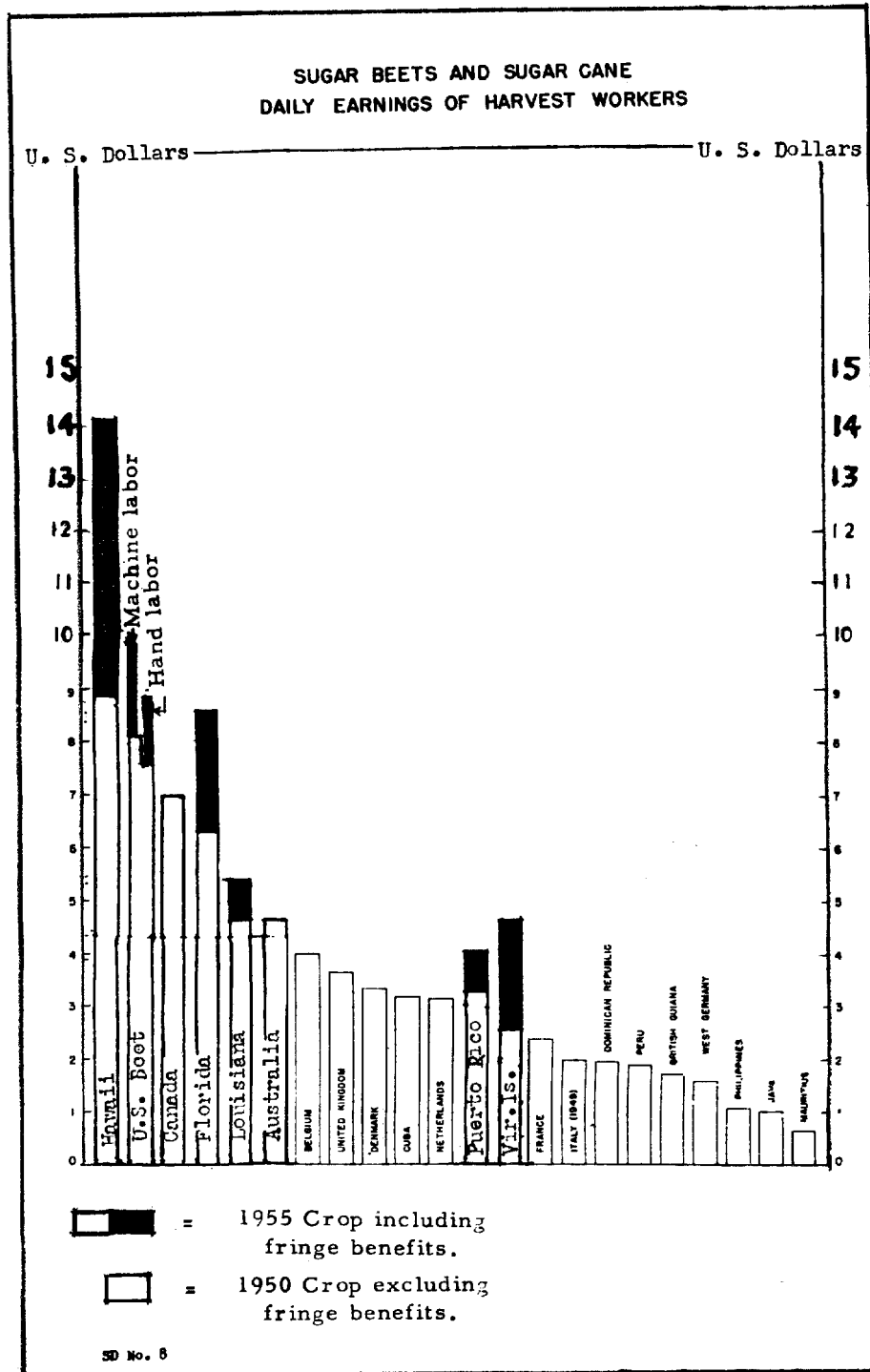
For many years, protection was afforded to our sugar producers solely through the tariff. Although the tariff did assist domestic producers, it still left them exposed to the price fluctuations of the world sugar market. It also increased the price of sugar to consumers in the United States without assuring them of adequate foreign sources of supply in case of emergencies.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was developed and enacted into law in 1934. The quota system was revised in 1937 and again in the present act which became effective in 1948 and was amended in 1951, effective as of January 1, 1953. Since initiation of the quota system, the tariff on sugar has been reduced 75 percent and now represents only supplementary protection to the sugar industry.

A tax of 0.5 cent per pound is imposed on sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugar beets at a rate which ranges from 80 cents per 100 pounds of recoverable sugar produced on small farms to as little as 30 cents per 100 pounds of production in excess of 30,000 tons of sugar on large farms. To qualify for payments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugar beets. Income to the Government from the tax on sugar has been very substantially in excess of the amount disbursed as payments to domestic growers during each of the years under the program. In recent years the income from the excise and import compensating tax has exceeded \$80 million annually, while payments to growers and administration expenses have approximated \$65 million. In the last 18 years there has been a net return to the Treasury of over \$300 million in the difference between collections on the sugar excise tax and the costs of the Sugar Act program.

EXTENSION OF SUGAR ACT OF 1948

CHART 1



*World sugar situation*

World sugar production reached a record level of about 47 million tons during 1954-55 despite the fact that production was rigidly controlled in Cuba and most areas of the United States. By comparison, a century ago production had been less than 2 million tons and in 1900 it was only 13 million tons. During the period just before and after World War II it was about 33 million tons. Production of centrifugal sugar, which now accounts for all but about 7 million tons of the total, is shown by countries for recent years in table C.

TABLE C.—Centrifugal sugar (raw value): Production in specified countries, averages 1935-39, 1945-49, annual 1951-54<sup>1</sup>

[1,000 short tons]

Continent and country	Averages		1951	1952	1953	1954
	1935-39	1945-49				
North American (cane and beet):						
British Honduras.....	1	1	3	4	3	5
Canada.....	76	99	123	160	131	133
Costa Rica.....	9	20	33	34	38	35
El Salvador.....	17	27	31	32	36	36
Guatemala.....	19	33	33	44	46	48
Honduras.....	2	1	7	10	11	11
Mexico.....	353	636	807	911	960	1,041
Nicaragua.....	9	21	35	38	35	44
Panama.....	5	11	21	20	21	19
United States (beet).....	1,517	1,514	1,549	1,505	1,816	2,043
United States (cane).....	474	455	419	605	630	555
Hawaii.....	980	861	1,020	1,096	1,077	1,127
Puerto Rico.....	982	1,143	1,360	1,182	1,204	1,166
Virgin Islands.....	6	6	12	14	10	10
Antigua.....	22	25	38	36	14	22
Barbados.....	114	121	176	169	184	169
Cuba.....	3,183	5,898	7,964	5,687	5,391	4,994
Dominican Republic.....	491	509	648	668	699	673
Grenada.....	1	1	2	1	1	1
Guadalupe.....	60	45	106	96	114	123
Haiti.....	44	49	64	63	46	58
Jamaica.....	119	235	290	370	407	444
Martinique.....	64	29	42	60	78	87
St. Kitts.....	36	40	57	58	56	55
St. Lucia and St. Vincent.....	11	12	14	16	14	17
Trinidad and Tobago.....	149	144	154	171	193	216
Total, North America.....	8,744	11,989	15,027	13,053	13,218	13,132
Western Europe (beet):						
Austria.....	196	46	175	146	197	229
Belgium.....	259	246	293	356	450	382
Denmark.....	260	266	394	295	425	243
Finland.....	13	14	23	22	40	41
France.....	1,078	823	1,395	1,100	1,804	1,860
Germany, Western.....	610	524	1,189	990	1,552	1,438
Ireland.....	89	95	100	102	143	111
Italy.....	414	331	825	820	861	968
Netherlands.....	261	270	386	478	504	465
Spain.....	202	200	366	669	380	327
Sweden.....	340	311	323	267	388	335
Switzerland.....	13	28	33	32	36	37
United Kingdom.....	515	612	753	686	860	699
Yugoslavia.....	103	127	256	61	211	161
Total, Western Europe.....	4,353	3,893	6,491	6,024	7,857	7,296
Total, Eastern Europe.....	2,625	2,055	3,095	2,290	3,600	3,205
Total, Europe.....	7,278	5,948	9,586	8,314	11,457	10,501
U. S. S. R. (Europe and Asia) (beet).....	2,761	1,643	2,700	2,500	2,700	2,500

See footnotes at end of table, p. 9.



TABLE C.—Centrifugal sugar (raw value): Production in specified countries, averages 1935-39, 1945-49, annual 1951-54<sup>1</sup>—Continued

[1,000 short tons]

Continent and country	Averages		1951	1952	1953	1954
	1935-39	1945-49				
Asia (beet and cane):						
Afghanistan (beet)			5	4	6	7
Burma	27	10	17	25	26	25
China, including Manchuria <sup>2</sup>	87	77	72	96	86	132
India	1,303	1,319	1,900	1,686	1,320	2,000
Indonesia	77	11	7	4	3	8
Iran (beet)	1,207	102	472	637	683	787
Japan (beet)	23	41	85	87	86	76
Pakistan	46	11	31	38	48	49
Philippines, Republic of	33	34	83	95	91	117
Ryukyu Islands	1,058	382	1,076	1,134	1,435	1,371
Syria (beet)	32	0	1	4	6	5
Taiwan (Formosa)	0	0	2	7	9	9
Thailand	1,240	346	597	983	796	832
Turkey (beet)	21	28	37	40	40	44
	76	131	228	200	213	215
Total, Asia (excluding U. S. S. R.)	5,230	2,492	4,613	5,040	4,849	5,672
South America (cane):						
Argentina	510	654	760	654	829	908
Bolivia	1	2	3	7	6	9
Brazil	830	1,420	1,857	2,151	2,328	2,479
British Guiana	210	198	272	269	268	288
Colombia	61	135	178	218	251	304
Ecuador	24	44	53	64	62	58
Paraguay	6	16	33	25	16	19
Peru	444	485	528	675	688	725
Surinam	15	5	7	8	6	6
Uruguay <sup>3</sup>	2	3	11	19	25	37
Venezuela	22	41	70	80	110	130
Total, South America	2,115	3,003	3,772	4,170	4,589	4,963
Africa (cane):						
Angola	37	50	54	56	57	50
Belgian Congo	14	17	17	18	20	20
British East Africa	63	88	88	92	73	86
Egypt	166	211	208	252	295	330
Madagascar	16	14	17	19	20	20
Madeira and Azore Islands <sup>4</sup>	9	9	11	11	11	11
Mauritius	320	351	535	517	506	551
Mozambique	81	86	92	104	99	104
Reunion	91	81	142	174	189	200
Union of South Africa	498	542	533	670	725	828
Total, Africa	1,295	1,449	1,697	1,913	2,055	2,200
Oceania (cane):						
Australia	894	830	809	1,027	1,357	1,437
Fiji	150	131	146	183	229	137
Pacific Islands	69	0	0	0	0	0
Total Oceania	1,113	961	955	1,210	1,586	1,574
World total (cane)	16,763	18,053	24,008	23,366	23,931	24,945
World total (beet)	11,773	9,382	14,342	12,834	16,523	15,597
World total (beet and cane)	28,536	27,435	38,350	36,200	40,454	40,542

<sup>1</sup> Centrifugal sugar, as distinguished from noncentrifugal, includes cane and beet sugar produced by the centrifugal process, which is the principal kind moving in international trade.

Years shown are for crop years; generally the harvesting season begins in the fall months of the year shown or in the early months of the following year, except in certain cane-sugar-producing countries in the Southern Hemisphere, such as Australia, Argentina, Mauritius, Union of South Africa, etc., where the season begins in May or June of the year shown.

<sup>2</sup> Restricted crop.

<sup>3</sup> Includes a small amount of cane sugar.

<sup>4</sup> Including sugar from Danish beets processed in Sweden.

<sup>5</sup> Includes both cane and beet sugar.

Source: Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, reports of agricultural attachés and other United States representatives abroad, results of office research and other information. Estimates of countries having boundary changes have been adjusted to postwar boundaries.

The remarkable increase in production long ago removed sugar from the category of luxury food items and made it one of the cheapest of all foods on a caloric basis. Postwar increases in production have brought the world market price down to the present low level of about 3.25 cents per pound.

Production has been stimulated by special incentives in the way of subsidies, tariffs, and other programs designed to make most of the countries of the world partially or wholly self-sufficient with respect to sugar production. In those tropical areas where sugar is produced in large quantities for export, the absence of other opportunities for utilizing labor has tended to promote ever-increasing production through low wages. Because of these situations, falling prices have not had the familiar effect of curtailing production. In a similar way, consumption on a per capita basis has not tended to rise significantly in response to price declines. This is so because of high retail prices for sugar in many countries resulting from consumption taxes and other devices which insulate the retail price of sugar in those countries from the free world market price.

In most of the countries of the world, the price of sugar to consumers is from 2 to 17 cents per pound above the world market level.

The International Sugar Agreement negotiated in London during 1953 has as one of its objectives the promotion of sugar consumption through the removal of excessive taxation and other consumption retarding devices and the discouragement of undue protectionism.

The long-term effect of the agreement in this respect may be very helpful and in the meantime world consumption has been rising at a quite remarkable rate in response to population growth and improving economic conditions.

The International Sugar Agreement is also designed to gear production of sugar destined for sale in the world market to demand in that market. Nevertheless, the outlook is the same as it has been in the past: chronic production in excess of demand during non-emergency periods alternating with unsatisfiable demand during emergency or wartime periods.

Prior to the war, our domestic production fluctuated considerably and averaged about 4 million tons, a level it first had attained in 1933. During the war, and particularly in the latter stages, our national policy was to encourage other crops to a greater extent than sugar beets. Because of this situation coupled with labor and supply shortages resulting from the war, as well as direct war activities, production declined in each of the domestic areas, except the mainland cane area and averaged about 3.5 million tons. Since the enactment of the Sugar Act of 1948, production has risen in each of the domestic areas and for the period has averaged about 4.5 million tons. In 1954 it totaled 4.9 million tons and is estimated to have been about 4.7 million tons in 1955.

#### HISTORICAL DEVELOPMENTS

The first tariff on sugar was imposed in 1789 to provide revenue for this country in the early years of its independence. During the major part of the 19th century, when import duties and domestic excise taxes were the chief source of Government receipts, the sugar tariff yielded close to 20 percent of our import duties.

The revenue tariff, incidentally, provided protection to the sugar industry in Louisiana after that area became a United States Territory

in 1803. Hawaii also received the benefit of tariff protection under the Reciprocal Treaty of 1875 negotiated with the then Kingdom of Hawaii. Following a short experiment during the years between 1890 and 1894, with sugar on the free list and with a 2-cent-per-pound bounty on domestically produced sugar, the tariff was reenacted strictly as a protective device for the domestic industry.

After the Spanish-American War, our new possessions, Puerto Rico and the Philippines, received the benefit of tariff protection and a preferred tariff status was granted to Cuba. Production expanded rapidly in all three areas and also in the mainland sugar beet area which had developed in the latter part of the 19th century, but which grew rapidly in the early years of the present century.

During the protective-tariff period, our sugar industry experienced alternating periods of prosperity and depression. But by 1933 it had become clear that the tariff system alone would no longer adequately protect the domestic industry. Moreover, it had brought Cuba, our principal foreign supplier, to economic and political chaos. Sugar prices in Cuba that year declined to a small fraction of the 2-cent-per-pound tariff. Cuba was no longer a major market for American goods. Mainland sugar producers could not get "fair exchange value" for their sugar crops.

Under the present quota system, the tariff is a supplementary means of protection and has been reduced progressively from a rate of 2 cents per pound of Cuban sugar in 1934 to the present rate of 0.5 cent per pound.

Congress in 1934 enacted the Jones-Costigan Act, which restricted the supply of sugar in the United States market to a total quantity determined each year by the Secretary. Market shares for the mainland beet and the cane areas were established in the act largely on the basis of production during the 2 preceding years. The Secretary was given discretionary power to determine which 3 years during the 9-year period, 1925-33, would serve "as the most representative" years to form the basis for the quotas of each of the offshore areas. For most of the areas he chose the period 1931-33, and for Hawaii the period 1930-32. The act also provided for a processing tax on sugar and for benefit payments to domestic growers as well as for control of domestic production and imports.

The Sugar Act of 1937 established each area's share of the market on the basis of percentages which were about the same as those developed through experience under the 1934 act. As a group, the domestic areas received 55.59 percent of total domestic requirements and were guaranteed a minimum quota of 3,750,000 tons. Cuba's percentage was 28.60; the full-duty countries, 0.40; and the Republic of the Philippines, 15.41, with a guaranteed minimum quota for the latter country of 952,000 tons of sugar, commercial weight.

The act provided for an excise tax at the rate of one-half cent per pound of sugar and also provided for payments to domestic growers on the condition that marketings were kept within individual proportionate shares of the quota; that they paid fair wages and employed no child labor, and that those who were also processors paid fair prices for sugarcane or sugar beets.

After suspension of quotas during the war years, the Sugar Act of 1948 was enacted with a number of changes designed to meet the problems of the postwar transitional period. This committee empha-

sized in its report at that time that the act was to be regarded in that light and not as the establishment of long-term national sugar policy.

The domestic areas were given fixed tonnage quotas which were roughly equivalent to the percentage shares they had received under the 1937 act. The Republic of the Philippines, whose sugar industry had been demolished during the war, received the fixed tonnage quota specified in the Philippine Trade Act of 1946, 952,000 tons of sugar, commercial weight. Cuba and the full-duty countries became the residual suppliers, with Cuba receiving 98.64 percent of such needed supplies. Cuba also was to supply 95 percent of the deficits in the Philippine quota which, it was known, would be large during the years when that country was rebuilding its sugar industry. The full-duty countries which formerly received all of the Philippines deficits retained 5 percent.

The Sugar Act was amended and extended in 1951, effective as of January 1, 1953. The major features of the 1948 act were retained unchanged except that the quota for Puerto Rico was increased by 170,000 tons, that for the Virgin Islands by 6,000 tons, and Cuba's share of the residual quota was reduced to 96 percent, while the share of the full-duty countries was raised to 4 percent.

Because of the special consideration given to Cuba under the 1948 act and the healthy demand in the world market, Cuba, contrary to expectations, was not required to cut its production during the early postwar years. As a result of the flourishing demand for sugar during the period of the Korean hostilities, Cuba actually was enabled to increase production steadily until 1952, when the record crop of 8 million tons was harvested. That crop, however, supplied all world needs and left a surplus of approximately 2 million tons, which has overhung the market since that time. Beginning with the next crop, Cuba drastically curtailed production and has continued to do so during each succeeding year.

Cuba supplied to this market an average of 2.1 million tons under the Sugar Act of 1937, 2.9 million tons during the war years, 3.0 million tons during the 5 years under the Sugar Act of 1948, and 2.8 million tons during the 3 completed years under the present extension.

When the act was extended in 1951, Puerto Rico was the only domestic area which had experienced a surplus crop and the quota for that area was increased by 170,000 tons to alleviate the problem. When the extension became effective in 1953, it already had become apparent, however, that production was rising rapidly to quota levels in all of the domestic areas. Farm production, in general, was moving toward a surplus situation in 1952 and, as a result, sugar beets have become increasingly favorable in relation to alternative crops.

Production research has made available new varieties of both sugar beets and sugarcane plus improved agronomic practices which have tended to increase yields substantially in the last few years. This tendency has been particularly strong in the mainland cane area.

Marketing allotments and acreage controls have been in effect in Puerto Rico continuously under the present extension of the act. Marketing allotments were imposed in the mainland cane area in 1953 and in the domestic beet area in 1954. Acreage allotments have been in effect in the mainland cane area since 1954 and in the beet area beginning with the 1955 crop.

Current sugar inventories in the domestic beet area are about 250,000 tons above average and in the domestic cane area 230,000

tons above average. In the mainland cane area inventories amount to 400,000 tons, or 140 percent above average, and in the domestic beet area, 1,600,000 tons, or 20 percent above average. The special Government purchase program will reduce these inventories by 71,500 tons in the mainland cane area and 28,500 tons in the domestic beet area.

# SUGAR PRICES

A hundred years ago, sugar was very expensive and quite rare. After the Civil War, for instance, raw sugar wholesaled for more than 20 cents per pound and at one time in our history the tariff alone on loaf sugar was 12 cents per pound. As the price of sugar declined, consumption rose until the middle 1920's, after which time price appeared to have little effect upon the rate of sugar consumption in this country. The price of sugar in relation to other foods and per capita distribution of sugar are shown in table D for the period since 1860:

TABLE D.—Wholesale sugar prices, index numbers of wholesale prices of all foods and wholesale sugar prices in relation to prices of all foods, annually 1860-1954 and monthly January to May 1955

[Index numbers of per capita disposable income and wholesale sugar prices in relation to per capita disposable income annually, 1910-54, and 1st quarter of 1955]

Year	Sugar price, net cash, New York	Index numbers (1935-39=100)		Sugar prices in relation to —	
		Prices of all foods (wholesale)	Per capita disposable income	Prices of all foods	Per capita disposable income
(1)	(2)	(3)	(4)	(5)	(6)
	<i>Cts. per lb.</i>			<i>Cts. per lb.</i>	<i>Cts. per lb.</i>
1860	9.78	78		12.54	
1861	8.75	73		11.99	
1862	11.16	87		12.83	
1863	14.28	100		14.28	
1864	22.56	154		14.65	
1865	21.56	147		14.67	
1866	16.68	141		11.97	
1867	15.78	136		11.60	
1868	16.32	139		11.74	
1869	16.19	126		12.85	
1870	13.53	113		11.97	
1871	13.28	106		12.53	
1872	12.37	99		12.49	
1873	11.34	100		11.34	
1874	10.56	103		10.25	
1875	10.72	98		10.94	
1876	10.47	92		11.38	
1877	11.31	94		12.03	
1878	9.48	76		12.47	
1879	8.78	73		12.03	
1880	9.60	78		12.31	
1881	9.67	86		11.24	
1882	9.23	93		9.92	
1883	8.51	84		10.13	
1884	6.78	76		8.92	
1885	6.44	69		9.33	
1886	6.12	64		9.56	
1887	6.01	70		6.59	
1888	7.01	70		10.01	
1889	7.64	64		11.94	
1890	6.17	70		8.81	
1891	4.64	69		6.72	
1892	4.35	64		6.80	
1893	4.84	69		7.01	
1894	4.12	61		6.75	
1895	4.15	60		6.92	
1896	4.53	55		8.24	
1897	4.50	58		7.76	
1898	4.96	60		8.27	

TABLE D.—Wholesale sugar prices, index numbers of wholesale prices of all foods and wholesale sugar prices in relation to prices of all foods, annually 1860-1954 and monthly January to May 1955—Continued

Year (1)	Sugar price, net cash, New York (2)	Index numbers (1935-39=100)		Sugar prices in relation to—	
		Prices of all foods (wholesale) (3)	Per capita disposable income (4)	Prices of all foods (5)	Per capita disposable income (6)
	<i>Cts. per lb.</i>			<i>Cts. per lb.</i>	<i>Cts. per lb.</i>
1899.....	4.92	60		8.20	
1900.....	5.32	64		8.31	
1901.....	5.05	64		7.89	
1902.....	4.46	68		6.56	
1903.....	4.64	66		7.03	
1904.....	4.77	69		6.91	
1905.....	5.26	69		7.62	
1906.....	4.52	68		6.05	
1907.....	4.65	72		6.46	
1908.....	4.96	74		6.70	
1909.....	4.76	79		6.03	
1910.....	4.97	82	63	6.06	7.89
1911.....	5.34	78	63	6.85	8.48
1912.....	5.04	85	67	5.93	7.52
1913.....	4.28	82	69	5.22	6.20
1914.....	4.68	82	68	5.71	6.88
1915.....	5.56	82	71	6.78	7.83
1916.....	6.86	95	82	7.22	8.37
1917.....	7.66	132	68	5.80	7.82
1918.....	7.83	151	108	5.19	7.25
1919.....	9.00	164	122	5.49	7.38
1920.....	15.55	174	126	8.94	12.34
1921.....	6.19	114	99	5.43	6.25
1922.....	5.93	111	104	5.34	5.70
1923.....	8.41	117	119	7.19	7.07
1924.....	7.31	115	118	6.36	6.19
1925.....	5.45	126	123	4.33	4.43
1926.....	5.46	126	126	4.33	4.33
1927.....	5.79	122	124	4.75	4.67
1928.....	5.52	128	125	4.31	4.38
1929.....	5.08	126	132	3.90	3.81
1930.....	4.62	114	117	4.05	3.95
1931.....	4.43	95	99	4.66	4.47
1932.....	3.90	77	75	5.18	5.32
1933.....	4.32	77	70	5.61	6.17
1934.....	4.44	89	80	4.99	5.55
1935.....	4.85	106	89	4.58	5.45
1936.....	4.69	104	107	4.51	4.64
1937.....	4.73	108	107	4.38	4.42
1938.....	4.48	93	98	4.82	4.57
1939.....	4.58	89	105	5.15	4.36
1940.....	4.33	90	112	4.81	3.87
1941.....	4.92	105	136	4.69	3.62
1942.....	5.45	126	170	4.33	3.21
1943.....	5.49	135	196	4.07	2.89
1944.....	5.46	133	206	4.11	2.65
1945.....	5.39	134	206	4.02	2.58
1946.....	6.34	165	219	3.84	2.89
1947.....	8.12	206	228	3.94	3.56
1948.....	7.60	222	249	3.42	3.05
1949.....	7.81	202	245	3.87	3.19
1950.....	7.84	207	264	3.79	2.97
1951.....	8.21	232	285	3.54	2.88
1952.....	8.45	229	294	3.69	2.87
1953.....	8.55	219	305	3.90	2.80
1954.....	8.55	218	305	3.92	2.81
1955.....	8.42	212	315	3.97	2.67

## Sources:

## Column 2:

1860-99: Palmers Sugar Manual Concerning Sugar.  
1900-55: Lamborn Sugar Market Report.

## Column 3:

1860-1909: Whole Prices for 213 Years, Warren and Pearson.  
1910-55: Index numbers of the Bureau of Labor Statistics converted to 1935-39=100.

## Column 4:

1910-28: Estimates by BAE.  
1929-51: Computed by BAE from data of U. S. Department of Commerce.

Col. 5: Col. (2) divided by col. (3).  
Col. 6: Col. (2) divided by col. (4).

In relation to the price of other foods, the price of sugar in the United States as in other countries of the world has declined greatly during the past century and still continues to do so. Since 1940, for instance, the wholesale price of all foods has increased much more than the wholesale price of refined sugar. Last year, the wholesale price of all foods was 136 percent higher than in 1940, whereas the wholesale price of sugar was only 94 percent higher than in 1940.

Because of protective devices such as tariffs, exchange restrictions, and production subsidies which are applied to sugar in almost every major sugar-consuming country of the world, relatively little sugar is sold in markets where it does not enjoy preferential treatment. As a result of this market narrowness, the world market price of sugar fluctuates widely and is very sensitive to relatively minor shortages or surpluses in world production.

The sugar acts have eliminated the extremes of very high and very low prices in the United States market. They have protected domestic growers during long periods of price depression in the world market and likewise have protected consumers during shorter but sharper periods of price inflation in that market. Price stability has helped assure adequate supplies to consumers and a market for a definite quantity of production to producers.

The following table shows, monthly, beginning in 1947, the world market price for raw sugar, the price of raw and refined sugar in this country, and the price that would be in line with the price formula of section 201 of the Sugar Act. It is interesting to note the stability of domestic prices in relation to the world market and also the fact that domestic sugar prices have remained well below the formula price mentioned in the act.

TABLE E.—Sugar prices: Raw and refined, monthly, January 1947 to date  
(Cents per pound)

Year and month  (1)	Raw sugar		Refined sugar (wholesale, New York)	
	New York, duty paid  (2)	World, free along- side ship Cuba  (3)	Actual  (4)	Adjusted <sup>a</sup>  (5)
1947—January.....	2 6.03	1 5.03	8.09	8.03
February.....	1 6.12	2 5.02	8.20	8.02
March.....	1 6.12	2 5.02	8.20	8.18
April.....	1 6.18	2 5.03	8.25	8.18
May.....	1 6.18	2 5.03	8.25	8.17
June.....	1 6.18	2 5.03	8.25	8.23
July.....	1 6.18	2 5.03	8.25	8.30
August.....	1 6.30	2 5.03	8.38	8.39
September.....	1 6.32	2 5.03	8.40	8.59
October.....	1 6.32	2 5.03	8.40	8.59
November.....	1 6.32	2 5.03	8.40	8.64
December.....	1 6.32	2 5.03	8.40	8.75
Average.....	1 6.21	2 5.03	8.29	8.34
1948—January.....	5.65	3.96	8.21	8.85
February.....	5.50	4.24	7.82	8.78
March.....	5.42	4.26	7.75	8.75
April.....	5.35	4.43	7.75	8.87
May.....	5.14	4.27	7.60	8.94
June.....	5.35	4.06	7.51	9.01
July.....	5.69	4.10	7.75	9.11
August.....	5.78	4.41	7.75	9.15
September.....	5.66	4.39	7.75	9.16
October.....	5.65	4.32	7.75	9.11
November.....	5.68	4.27	7.75	9.04
December.....	5.66	4.03	7.75	9.00
Average.....	5.54	4.23	7.76	8.98
1949—January.....	5.69	4.00	7.99	8.97
February.....	5.65	3.95	8.00	8.87
March.....	5.68	4.17	7.96	8.90
April.....	5.63	4.09	8.10	8.92
May.....	5.78	4.04	8.02	8.89
June.....	5.86	4.08	7.87	8.91
July.....	5.83	4.13	7.85	8.96
August.....	5.88	4.20	7.85	8.87
September.....	6.01	4.19	7.90	8.92
October.....	6.02	4.33	8.05	8.87
November.....	5.91	4.33	8.05	8.87
December.....	5.74	4.39	8.05	8.82
Average.....	5.81	4.16	7.97	8.80
1950—January.....	5.74	4.62	8.05	8.79
February.....	5.59	4.47	7.92	8.77
March.....	5.54	4.44	7.74	8.80
April.....	5.53	4.37	7.70	8.80
May.....	5.71	4.21	7.70	8.85
June.....	5.78	4.21	7.70	8.89
July.....	6.07	4.89	7.97	8.99
August.....	6.25	5.83	8.22	9.06
September.....	6.25	5.88	8.25	9.12
October.....	6.23	5.84	8.25	9.17
November.....	6.19	5.58	8.25	9.21
December.....	6.30	5.36	8.25	9.34
Average.....	5.93	4.98	8.00	8.98
1951—January.....	6.09	5.22	8.25	9.49
February.....	5.96	4.96	8.25	9.60
March.....	5.90	5.48	8.25	9.63
April.....	5.81	5.57	8.25	9.64
May.....	6.36	6.02	8.40	9.69
June.....	6.69	7.41	8.60	9.68
July.....	6.30	6.75	8.74	9.69
August.....	6.00	5.61	8.52	9.69
September.....	6.00	5.52	8.50	9.75
October.....	5.93	5.28	8.25	9.79

See footnotes at end of table, p. 17.



## EXTENSION OF SUGAR ACT OF 1948

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TABLE E.—Sugar prices: Raw and refined, monthly, January 1947 to date—Con.  
[Cents per pound]

Year and month (1)	Raw sugar		Refined sugar (wholesale, New York)	
	New York, duty paid (2)	World, free along- side ship Cuba (3)	Actual (4)	Adjusted <sup>a</sup> (5)
1951—January—Continued				
November	5.97	4.83	8.25	9.85
December	5.79	4.84	8.25	9.88
Average	6.06	5.67	8.38	9.70
1952—January	5.80	4.54	8.21	9.88
February	5.77	4.38	8.15	9.82
March	6.16	4.30	8.38	9.82
April	6.31	4.30	8.65	9.86
May	6.21	4.24	8.65	9.87
June	6.43	4.17	8.69	9.90
July	6.48	4.16	8.80	9.97
August	6.45	4.05	8.80	9.98
September	6.50	4.00	8.80	9.97
October	6.59	4.01	8.80	9.97
November	6.44	4.00	8.80	9.88
December	6.06	3.84	8.71	9.97
Average	6.26	4.17	8.62	9.91
1953—January	6.04	3.55	8.58	9.95
February	6.16	3.52	8.50	9.90
March	6.33	3.27	8.65	9.92
April	6.38	3.38	8.75	9.93
May	6.35	3.65	8.75	9.96
June	6.37	3.62	8.75	10.00
July	6.41	3.60	8.79	10.02
August	6.40	3.53	8.85	10.04
September	6.41	3.29	8.85	10.06
October	6.40	3.15	8.85	10.08
November	6.15	3.10	8.69	10.04
December	6.05	3.27	8.65	10.04
Average	6.29	3.41	8.72	10.00
1954—January	6.04	3.30	8.65	10.06
February	6.06	3.39	8.65	10.04
March	6.18	3.28	8.73	10.03
April	6.19	3.36	8.80	10.01
May	6.10	3.32	8.80	10.04
June	6.15	3.27	8.80	10.05
July	6.19	3.13	8.80	10.06
August	6.09	3.18	8.80	10.04
September	5.98	3.21	8.70	10.02
October	5.96	3.25	8.65	10.00
November	6.15	3.25	8.65	10.01
December	5.96	3.19	8.65	9.98
Average	6.09	3.26	8.72	10.03
1955—January	5.96	3.17	8.65	9.98
February	5.94	3.17	8.62	9.98
March	5.84	3.22	8.55	9.98
April	5.82	3.31	8.55	9.97
May	5.95	3.38	8.55	9.97
June	6.02	3.26	8.55	9.99
July	6.01	3.22	8.55	10.02
August	6.02	3.22	8.55	10.00
September	6.00	3.27	8.55	10.04
October	6.06	3.25	8.63	10.04
November	5.97	3.19	8.65	10.04
December	5.83	3.16	8.65	10.02
Average	5.95	3.24	8.59	10.00

<sup>1</sup> Average delivered price charged United States refiners by Commodity Credit Corporation.<sup>2</sup> Prices paid to Cuba by CCC plus CCC's expenses of approximately 1 percent.<sup>3</sup> Adjusted for changes in Consumer's Price Index (Sugar Act Formula).

## COMPARISON WITH H. R. 7030 AS PASSED BY THE HOUSE

The bill as reported by this committee is similar in most respects to H. R. 7030 as passed by the House. It differs somewhat with respect to the allocation of quotas to the various areas. Further, it does not contain the section of the House-passed bill which directs Commodity Credit Corporation to purchase 100,000 tons of sugar from the 2 mainland areas and, in addition, it provides for a 6-year rather than a 4-year extension of the Sugar Act. The few remaining changes are minor in nature.

Since last summer, CCC has purchased 100,000 tons of sugar from the mainland areas. Inasmuch as the objective of the House-passed bill with respect to the purchase program has been fulfilled, no purpose would be served in continuing that section and, accordingly, it has been deleted from the bill reported by this committee.

With respect to quotas, both bills are similar for that portion of requirements amounting to 8,350,000 tons. This bill provides that the domestic areas shall supply 55 percent and foreign areas 45 percent of consumer requirements in excess of 8,350,000 tons, whereas the House-passed bill divided such increases equally between domestic and foreign areas. Both bills provide priorities as to the manner in which the several domestic areas shall participate in the first 188,000 tons of the quota increase accruing to them. This bill gives first priority to the 2 mainland areas with respect to the first 165,000 tons of such increase, a second priority of 20,000 tons to Puerto Rico, and a third priority of 3,000 tons to the Virgin Islands. The House bill contained a collective priority for all domestic areas except Hawaii for 1956. Both bills provide that increases in total domestic quotas in excess of the priorities be apportioned on the basis of the domestic quotas in effect at the time such increases occur.

A substantial difference exists between the two bills with respect to section 7 which establishes the method of sharing quotas among foreign countries. Both bills provide the same quota for the life of the amendment to the Republic of the Philippines, namely, 952,000 tons, commercial weight, and both retain provisions of the current act with respect to the division between Cuba and other foreign countries for the year 1956.

Beginning in 1957 the two bills would produce substantial differences in the quotas for domestic and foreign areas. Table F shows the prospective quotas that would result from the House bill. The differences between quotas for foreign areas shown in table F and those shown in table A, which would result from this bill, would increase appreciably if the House bill gave domestic areas 55 percent of the future increases in the United States. The House bill would give the domestic areas only 50 percent of such increases.

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TABLE F.—*Sugar quotas and prorations: H. R. 7030 as passed by House under assumed requirements, 1956-60*

[Short tons, raw value]

	1956	1957	1958	1959	1960
Assumed requirements.....	8,535,000	8,670,000	8,805,000	8,940,000	9,075,000
Domestic areas.....	4,536,500	4,604,000	4,671,500	4,739,000	4,806,500
Beet.....	1,841,810	1,869,215	1,896,620	1,924,024	1,951,430
Mainland cane.....	539,405	547,431	555,457	563,483	571,509
Hawaii.....	1,052,000	1,067,653	1,083,306	1,098,959	1,114,612
Puerto Rico.....	1,089,805	1,106,020	1,122,236	1,138,452	1,154,667
Virgin Islands.....	13,480	13,681	13,881	14,082	14,282
Foreign areas.....	3,998,500	4,066,000	4,133,500	4,201,000	4,268,500
Philippines <sup>1</sup> .....	980,000	980,000	980,000	980,000	980,000
Cuba.....	2,897,780	2,911,000	2,933,500	2,956,000	2,978,500
"Full duty" countries.....	120,740	175,000	220,000	265,000	310,000
Dominican Republic.....	29,984	58,393	74,403	90,221	105,789
Mexico.....	12,432	31,564	40,218	48,768	57,184
Nicaragua.....	8,498	7,891	10,054	12,192	14,296
Peru.....	56,396	56,814	72,382	87,782	102,930
Haiti.....	2,901	5,156	6,022	6,877	7,718
Costa Rica.....	<sup>2</sup> (1,084)	3,409	3,832	4,382	5,097
Formosa.....	<sup>2</sup> (1,114)	3,448	3,882	4,447	5,181
Netherlands.....	<sup>2</sup> (1,123)	3,460	3,898	4,467	5,207
Panama.....	<sup>2</sup> (1,114)	3,448	3,882	4,447	5,181
Belgium.....	<sup>2</sup> (182)	182	182	182	182
British Guiana.....	<sup>2</sup> (85)	85	85	85	85
Canada.....	<sup>2</sup> (631)	631	631	631	631
Hong Kong.....	<sup>2</sup> (3)	3	3	3	3
United Kingdom.....	<sup>2</sup> (516)	516	516	516	516
El Salvador <sup>3</sup> .....	4,492				

<sup>1</sup> Philippine quota for 1956 is 980,000 tons, may vary slightly in subsequent years.<sup>2</sup> Average 1953-54 charges against quotas. These countries do not have specific prorations under the present law. These entries are made within the proration for unspecified countries which amounts to 6,637 tons when requirements are 8,535,000 tons.<sup>3</sup> No entries since 1949.

In view of the long-term commitments and planning necessary for the efficient operation of the sugar-producing industry, the committee feels that a 6-year extension is desirable. The House bill provided for a 4-year extension. The bill as reported by the committee also extends the termination date of taxes under the Internal Revenue Code for 6 years.

The bill as reported by the committee differs from the House-passed bill in the following minor respects:

(1) Section 4 of both bills provides for hearings in connection with determinations which may be made by the Secretary concerning the meaning of the term "to be further refined or improved in quality." The bill as reported by the committee provides for procedures to be followed in making that determination that would be consistent with the procedures now followed in administering other provisions of the sugar act.

(2) In section 15 of the bill a reference in the same section of the House bill to the entire direct-consumption portion of the quota is changed to the unfilled part of the direct-consumption portion of the quota.

(3) Section 22 of this bill differs from the corresponding section of the House bill (sec. 23) with respect to the effective date of sections 1 through 4. The House bill passed last July would have permitted the preparation and issuance of regulations during the remainder of 1955, whereas this bill grants such necessary time after enactment in 1956.

## ANALYSIS OF THE BILL

*Definitions*

Sections 1 through 4 of the bill amend certain definitions contained in title I of the Sugar Act of 1948, as amended. In general, these amendments clarify the definitions to coincide with the evident intent of the act. In addition, the amendment provides more specific instructions for administering those provisions of the act dependent upon definitions.

The first and second sections of the bill amend subsections (d) and (e) of section 101 of the act. Subsections (d) and (e) define raw sugar and direct-consumption sugar, respectively. The wording of the present definitions is such that it is doubtful whether some liquid sugar from domestic offshore areas should be classified as either raw or direct-consumption sugar, although a literal interpretation of the present definitions would permit liquid sugar of refined quality from domestic offshore areas to enter within the overall quotas without regard to the direct-consumption limitations. The amendments to these two subsections clarify the present definitions to permit the classification for quota purposes of liquid sugar from domestic offshore areas as either raw or direct-consumption sugar. Such classification is in accordance with the principle that is applied to the classification of crystalline sugar. The amendments are intended to exclude from the raw and direct consumption definitions liquid sugar from all foreign countries. Liquid sugar entries from such countries are limited by sections 208 and 212 of the act. The amended definitions of raw and direct-consumption sugar are supplemented by, and are to be read in the light of, the provisions of the new subsection (n).

Section 3 of the bill amends subsection (i) of section 101 of the act by striking out the parenthetical word "(Clerget)." The word "Clerget" refers to an analytical method and its deletion does not affect the meaning of the term "total sugar content" which is defined in subsection (i). Its deletion in the amendment, however, eliminates the requirement of the use of a method (the Clerget method) for determining sucrose in the measurement of total sugar content. The amendment permits the utilization of newer and more accurate methods for such determinations.

Section 4 of the bill adds a new subsection (n) to section 101 of the act. The amendment defines the term "to be further refined or improved in quality," which is contained in both the raw and direct-consumption sugar definitions and which is a criterion for distinguishing raw from direct-consumption sugar for quota purposes. The definition of the term "to be further refined or improved in quality" basically establishes the minimum processing to which sugar must be subjected before it can be classified as raw sugar. In the event there is any question as to the processes to which raw sugar is to be subjected or as to the specific qualities of sugar which may be so processed, the amendment also provides the Secretary with authority to hold hearings to determine whether specific processes to which sugars are subjected meet the requirements of the standards established by the amendment or whether sugars of specific qualities are of raw or direct-consumption sugar quality. The amendment gives clearer guidance to the Secretary in administering those provisions of the act, which requires him to classify sugar as raw or direct consumption for making

the proper quota charges. The amendment permits the Secretary to consider the type and extent of processing and the quality of sugar in addition to the use criterion contained in subsections (d) and (e) in distinguishing raw sugar from direct-consumption sugar.

*Price objective*

Section 5 merely amends the base period for the consideration that the Secretary is directed in section 201 of the act to give to the relationship between the wholesale price of refined sugar and the general cost of living in the United States. The bill changes the base period from January through October 1947 to the now generally accepted statistical base period of 1947-49.

*Quotas*

Section 6 amends subsection 202 (a) of the act which establishes quotas for the domestic areas. The present fixed quotas for these areas are retained and, in addition, the domestic areas are assigned 55 percent of all increases in sugar requirements of the continental United States in excess of 8,350,000 tons, raw value. The first 165,000 tons, or any part thereof, by which quotas for the domestic areas are so increased is apportioned 51.5 percent to the domestic beet area and 48.5 percent to the mainland cane area; the next 20,000 tons are assigned to Puerto Rico; and the next 3,000 tons to the Virgin Islands. Thereafter, increases are apportioned on the basis of the then existing quotas.

Section 7 amends subsection 202 (c) of the act which establishes quotas for foreign countries other than the Republic of the Philippines. The total of such quotas which results from consumers' requirements of 8,350,000 tons or less is the same as that presently established under the act. The effect of section 6 of the bill with respect to these quotas, it will be recalled, is to change participation in consumption requirements in excess of 8,350,000 tons from 100 percent as provided under the present act to 45 percent.

In 1956, the proration of the quota among such countries conforms to the terms of the present act. In 1957 Cuba retains 96 percent and other such foreign countries 4 percent of the quota resulting from sugar requirements of 8,350,000 tons or less. The 45 percent of sugar requirements in excess of 8,350,000 short tons so assigned is distributed 33.8 percent to Cuba, 4 percent to Peru, 2 percent to the Dominican Republic, 4 percent to Mexico and 1.2 percent to other such foreign countries.

In 1957, the proration of 4 percent of the quota for foreign countries other than Cuba and the Republic of the Philippines (resulting from sugar requirements of 8,350,000 tons or less) is accomplished first by assigning to each such foreign country whose average entries within its quota for 1953 and 1954 were less than 1,000 short tons, a proration equal to its average entries during those years; second, by assigning to each such foreign country whose average entries within its quota during 1953 and 1954 were not less than 1,000 nor more than 2,000 short tons, a proration of 3,000 short tons; third, by assigning to each such foreign country whose average entries within its quota during 1953 and 1954 were not less than 2,000 nor more than 10,000 short tons, a proration equal to its average entries within its quota during those years plus 1,000 short tons; and finally, by

prorating the balance to such foreign countries whose average entries within the quotas during 1953 and 1954 exceeded 10,000 short tons, on the basis of the average entries within the quotas for each such country for the years 1951 to 1954, inclusive.

In 1958 and subsequent years, the proration of 4 percent of the quota for foreign countries other than Cuba and the Republic of the Philippines (resulting from sugar requirements of 8,350,000 tons or less) is accomplished first, by assigning to each such foreign country whose average entries within its quota during the years 1953 and 1954 were less than 1,000 short tons, a proration equal to its average entries during those years; and second, by prorating the balance of the proration of 4 percent among the remainder of such countries on the basis of the final quotas established for such countries for the calendar year 1957.

In 1957 as well as 1958 and subsequent years, the proration of 1.2 percent of sugar requirements in excess of 8,350,000 tons to foreign countries other than Cuba, the Republic of the Philippines, Peru, the Dominican Republic, and Mexico would be prorated on the same basis as the quota resulting from sugar requirements of 8,350,000 tons is prorated among such countries.

Section 8 of the bill adds a new subsection (c) which affects those foreign countries having quotas in excess of 10,000 short tons. In the event any such country hereafter fails by more than 10 percent to fill its quota or proration in any year during which the world price of sugar exceeds the domestic price, its quota in subsequent years shall be reduced by an amount equal to that by which the country failed to fill its quota or proration, unless failure to do so was due to crop disaster or force majeure, or the Secretary determines that such quota reduction would be contrary to the objectives of the act. The amendment encourages continued deliveries of sugar from foreign countries even when price considerations are more favorable in the world market. The amendment provides that any quota reduction shall be prorated in the same manner as a deficit is prorated under section 204 of the act.

#### *Proration of deficits*

Section 9 amends section 204 of the act which establishes the method of prorating deficits. The effect of the change is to prorate to the domestic areas alone, rather than to Cuba and domestic areas, any deficit in a domestic sugar-producing area quota which occurs because of inability to market that part of its quota resulting from sugar requirements in excess of 8,350,000 short tons. A further change directs the Secretary, in the event a domestic area is unable to fill its proration of any deficit resulting from sugar requirements in excess of 8,350,000 short tons, to apportion such unfilled amount to such other domestic areas which are able to fill the deficit. In the event no domestic area can supply the needed sugar, the Secretary is directed to add such unfilled amount to the quota for Cuba.

#### *Allotment of quotas or prorations*

Section 10 amends section 205 (a) of the act by authorizing the Secretary, when he allots any area's quota or proration, to consider, in addition to the factors presently specified and to make appropriate allowance for the adverse effect of drought, storm, flood, freeze, disease,

insects, and other uncontrollable conditions which seriously and broadly affect a general area served by the factory or factories of any allottee. This amendment addresses itself to the effects of adverse natural conditions and not to adverse economic circumstances.

*Direct-consumption sugar limitations*

Section 11, which amends section 207 (a) of the act, provides that portions of the quotas for Hawaii and Puerto Rico which may be filled by direct consumption sugar are to be increased in the same proportion as the overall quotas are increased. With respect to Puerto Rico, the amendment provides that increases in the direct-consumption portion of the quota may be filled by either crystalline or liquid sugar, but restricts to crystalline sugar the filling of the present direct consumption portion of the quota, which is 126,033 short tons.

Section 12 of the bill amends the limitations in section 207 (h) of the act with respect to direct consumption sugar which apply to the quota of foreign countries other than Cuba and the Republic of the Philippines. Such countries with overall prorations of 7,000 short tons or less may fill their entire proration with direct-consumption sugar. The present limitation of 1.36 percent of the quota for foreign countries other than the Republic of the Philippines is retained for such countries whose prorations exceed 7,000 short tons. Such limitation is prorated on the basis of the average importation of direct-consumption sugar within the quota during the years 1951 to 1954 inclusive.

*Conditional payments to domestic producers*

Section 13 of the bill permits the marketing or processing in excess of the proportionate share for the farm of sugar beets or sugarcane for the production of sugar to be used for livestock feed.

Section 14 of the bill amends subsection 302 (b) of the act by authorizing the Secretary, in determining proportionate shares with respect to domestic sugar-beet and sugarcane farms, to give consideration, insofar as practicable, to the interest of producers in any local-producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. As in the case of subsection 205 (a), this amendment addresses itself to the effect of adverse natural conditions rather than to adverse economic circumstances. Section 14 also authorizes the Secretary, on application of an owner of a farm in Puerto Rico, to transfer the sugarcane production record for any parcel of land owned by such applicant in Puerto Rico to any other parcel owned by the applicant, if he finds such transfer to be in the public interest because of more economic utilization of land resources, conservation of soil and water resources, or the fostering of greater diversification of agricultural production.

*Administrative provisions*

Section 15 of the bill adds a new subsection (b) to section 405 of the act and designates the present section 405 as subsection (a). The amendment provides that any person whose sugar-processing operations meet the requirements of subsection 101 (n) and who imports sugar of direct-consumption quality for processing under a declaration that such sugar is raw sugar, shall forfeit to the United

States 1 cent for each pound of such sugar in excess of the unfilled part of the direct-consumption portion of the applicable quota, proration, or allotment thereof. Since sugar is often entered and partly or completely processed before a determination of its quality is made, it is possible that some sugar declared to have been raw sugar will be determined to have been of direct-consumption quality when entered. If such sugar is in excess of the unfilled portion of the direct-consumption quota, proration, or allotment thereof, forfeiture of 1 cent per pound is provided. This forfeiture is considered sufficient to make it unprofitable to enter for further processing direct-consumption sugar in excess of the direct-consumption limitations.

Section 16 of the bill amends section 407 of the act to provide that the provisions of that section shall not apply to persons whose services are utilized in the administration of the act pursuant to section 305. The application of the provisions of section 407 to such persons who do not have access to information that might aid them in investing or speculating in sugar has on occasion precluded the Department from obtaining the services of persons who are best qualified to serve in field offices. The difficulties have been most acute and embarrassing in areas served by cooperative sugar mills. The amendment does not remove the restrictions of section 407 from Washington officials who do have information that would be of value in investing or speculating in sugar, but it does permit the employment of State, county, and community committeemen and employees who own stock in a sugar company or who are members of a cooperative mill.

Section 17 of the bill inserts a new section 411 and renumbers present sections 411 and 412 of the act. The amendment authorizes the Secretary of Agriculture to reconcile imports of sugar from foreign countries with the Government's obligation under article 7 of the International Sugar Agreement (ratified by and with the advice and consent of the U. S. Senate on April 29, 1954). The amendment restricts imports of only those countries that do not participate in the agreement. The amendment permits the Secretary to take similar action on the corresponding provisions of successor agreements ratified by and with the advice and consent of the United States Senate.

*Period for which bill is effective*

Section 18 amends renumbered section 412 of the act and provides for termination of the act on December 31, 1962. Under the provision of the act the Secretary has authority to make payments under title III on programs applicable for the crop year 1962 and previous crops.

Section 19 extends to June 30, 1963, the period during which the excise and import compensating tax is applicable to sugar.

Section 22 of the bill provides that the amendments shall become effective January 1, 1956, except as otherwise provided. In particular, sections 1 through 4 will become effective upon implementation by publication of regulations in the Federal Register or 6 months after the date of enactment of this bill into law, whichever is earlier.

*Amendments to the Internal Revenue Code*

Section 20 of the bill amends section 4502 (4) of the 1954 Internal Revenue Code. That section of the code defines the term "total sugars" similarly to the term "total sugar content" contained in section 101 (i) of the act and refers to Customs Regulations of 1930, which



have since been superseded. The amendment in no way affects the meaning of the term "total sugars" and permits the Treasury Department to use methods that are most appropriate to the determination of total sugars.

Section 21 of the bill amends section 4505 and 6418 (a) of the Internal Revenue Code of 1954. The amendments provide that the import compensating tax on manufactured sugar imported into the United States for use in the distillation of alcohol or for livestock feed may be refunded. Section 212 of the sugar act exempts from quotas any sugar or liquid sugar used for such purposes. However, tax exemption under the Internal Revenue Code has been only partly consistent with the quota exemption. The excise tax applicable to sugar manufactured in the United States has been refundable on sugar used for livestock feed or for the distillation of alcohol, but the import compensating tax applicable to manufactured sugar imported into the United States has not been refundable on sugar used for the same purpose. The amendment provides that either the excise tax or the import compensating tax, whichever is applicable, may be refunded on sugar used for livestock feed or for the distillation of alcohol.

#### CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

#### SUGAR ACT OF 1948, AS AMENDED

##### TITLE I—DEFINITIONS

SEC. 101. For the purposes of this Act, except title V—

\* \* \* \* \*

(d) **["The term "raw sugar" means any sugars which are principally of crystalline structure and which are to be further refined or improved in quality, and any sugars which are principally not of crystalline structure, but which are to be further refined or otherwise improved in quality to produce any sugars principally of crystalline structure.]** *The term "raw sugar" means any sugars exclusive of liquid sugar from foreign countries having liquid sugar quotas, whether or not principally of crystalline structure, which are to be further refined or improved in quality to produce any sugars principally of crystalline structure or liquid sugar.*

(e) **["The term "direct-consumption sugar" means any sugars which are principally of crystalline structure and which are not to be further refined or otherwise improved in quality.]** *The term "direct-consumption sugar" means any sugars principally of crystalline structure and any liquid sugar (exclusive of liquid sugar from foreign countries having liquid sugar quotas), which are not to be further refined or improved in quality.*

\* \* \* \* \*

(i) The term "total sugar content" means the sum of the sucrose **[(Clerget)]** and reducing or invert sugars contained in any grade or type of sugar or liquid sugar.

\* \* \* \* \*

(n) *The term "to be further refined or improved in quality" means to be subjected substantially to the processes of (1) affination or defecation, (2) clarification, and (3) further purification by adsorption or crystallization. The Secretary is authorized, after such hearing and upon such notice as he may by regulations prescribe, to determine whether specific processes to which sugars are subjected are sufficient to meet the requirements of this paragraph (n) and whether sugars of specific qualities are raw sugar within the meaning of paragraph (d) of this section, or direct-consumption sugar within the meaning of paragraph (e) of this section.*

## TITLE II—QUOTA PROVISIONS

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power, shall take into consideration the relationship between the prices at wholesale for refined sugar that would result from such determination and the general cost of living in the United States as compared with the relationship between prices at wholesale for refined sugar and the general cost of living in the United States obtaining during [1947 prior to the termination of price control of sugar] 1947-49 as indicated by the Consumers' Price Index as published by the Bureau of Labor Statistics of the Department of Labor.

SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

(a) (1) For domestic sugar-producing areas [L.] by apportioning among such areas four million four hundred and forty-four thousand short tons, raw value, as follows:

Area	Short tons, raw value
Domestic beet sugar.....	1,800,000
Mainland cane sugar.....	500,000
Hawaii.....	1,052,000
Puerto Rico.....	1,080,000
Virgin Islands.....	12,000

(2) To the above total of four million four hundred forty-four thousand short tons, raw value, there shall be added an amount equal to 55 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds eight million three hundred and fifty thousand short tons, raw value. Such additional amount shall be apportioned among and added to the quotas established under paragraph (1) of this subsection for such domestic sugar-producing areas, respectively, as follows: (A) The first one hundred sixty-five thousand short tons, raw value, or any part thereof, by which quotas for the domestic areas are so increased shall be apportioned 51.5 per centum to the domestic beet sugar area and 48.5 per centum to the mainland cane sugar area; (B) the next twenty thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to Puerto Rico; (C) the next three thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to the Virgin Islands; (D) any additional amount shall be apportioned on the basis of the quotas established in paragraph (1) of this subsection as adjusted by subparagraphs (A), (B), and (C) of this paragraph (2).

(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as specified in section 211 of the Philippine Trade Act of 1946.

(c) [For] (1) For the calendar year 1956, for foreign countries other than the Republic of the Philippines, by prorating among such countries an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less

the sum of the quotas established pursuant to subsections (a) and (b) of this section, on the following basis:

Country	Per centum
Cuba	96
Foreign countries other than Cuba and the Republic of the Philippines	4

Ninety-five per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines shall be prorated among such countries on the basis of the average amount imported from each such country within the quotas established for the years 1948, 1949, and 1950, except that a separate proration need not be established for any country which entered less than 2 per centum of the average importations within the quotas for such years. The amount of the quota not so prorated may be filled by countries not receiving separate proratations, but no such country shall enter an amount pursuant to this subsection in excess of 1 per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines.

(2) For the calendar year 1957 and for each subsequent calendar year for foreign countries other than the Republic of the Philippines, by prorating (A) to Cuba 96 per centum and (B) to other foreign countries 4 per centum of the amount of sugar, raw value, by which eight million three hundred and fifty thousand short tons or such lesser value, by which the amount determined pursuant to section 201 exceeds the sum of four million four hundred and forty-four thousand short tons, raw value, and the quotas established pursuant to subsection (b) of this section; and by prorating 45 per centum of the amount of sugar, raw value, by which the amount determined pursuant to section 201 exceeds the sum of eight million three hundred and fifty thousand short tons as follows:

Country	Per centum
Cuba	33.8
Peru	4.0
Dominican Republic	2.0
Mexico	4.0
Other countries	1.2
	45.0

The above proration of 1.2 per centum to foreign countries other than Cuba, the Republic of the Philippines, Peru, the Dominican Republic, and Mexico shall be apportioned on the basis of the apportionments to such countries under paragraph (3) of this subsection.

(3) For the calendar year 1957, the proration of 4 per centum under paragraph (2) (B) of this subsection for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954, and second, by assigning to each such foreign country whose average entries within the quotas during 1953 and 1954 were not less than one thousand nor more than two thousand short tons, raw value, a proportion of three thousand short tons, raw value, and third, by assigning to each foreign country whose average entries within the quotas during 1953 and 1954 were not less than two thousand nor more than ten thousand short tons, raw value, a proration equal to the average entries from each such country within the quotas during 1953 and 1954, plus one thousand short tons, raw value, and fourth, by prorating the balance of such quota to such foreign countries whose average entries within the quotas during 1953 and 1954 exceeded ten thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

For the calendar year 1958 and for each subsequent calendar year, the proration of 4 per centum under paragraph (2) (B) of this subsection for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954, and second, by prorating the balance of such quota among the remainder of such countries on the basis of the final quotas established for such countries pursuant to this section for the calendar year 1957.

(d) Notwithstanding the other provisions of this title II, the minimum quota established for Cuba, including increases resulting from deficits determined pursuant to section 204 (a), shall not be less than the following:

(1) 28.6 per centum of the amount of sugar determined under section 201 when such amount is seven million four hundred thousand short tons or less; and

(2) two million one hundred and sixteen thousand short tons, when the amount of sugar determined under section 201 is more than seven million four hundred thousand short tons.

The quotas for domestic sugar-producing areas, established pursuant to the other provisions of this title II, shall be reduced pro rata by such amounts as may be required to establish such minimum quota for Cuba.

(e) *Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.*

\* \* \* \* \*

SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugar beets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other such areas on the basis of the quotas then in effect: *Provided, That any deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under the provisions of section 202 (a) (2) shall first be prorated to other domestic areas on the basis of the quotas then in effect.* If the Secretary finds that the Republic of the Philippines will be unable to market the quota for such area, he shall revise the quotas for Cuba and foreign countries other than Cuba and the Republic of the Philippines by prorating an amount of sugar equal to the deficit so determined, as follows:

To Cuba, 96 per centum; and

To foreign countries other than Cuba and the Republic of the Philippines, 4 per centum.

If the Secretary finds that foreign countries other than Cuba and the Republic of the Philippines cannot fill the quota for such area, he shall increase the quota for Cuba by an amount equal to the deficit.

Whenever the Secretary finds that any area will be unable to fill its proration of any such deficit, he may apportion such unfilled amount on such basis and to such areas as he determines is required to fill such deficit; *except that in the case of proration of any such deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under and by reason of section 202 (a) (2), the Secretary shall apportion the unfilled amount on such basis and to such other domestic areas as he determines is required to fill such deficit, and if he finds that no domestic area will be able to supply such unfilled amount, he shall add it to the quota for Cuba.*

\* \* \* \* \*

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and adequate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prevent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, the Territory of Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugar beets or sugarcane to which proportionate shares, determined pursuant to the provisions of subsection (b) of

section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. *In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person.* The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made.

\* \* \* \* \*

SEC. 207. (a) Not more than twenty-nine thousand six hundred and sixteen short tons, raw value, of the quota for Hawaii for any calendar year, *plus an amount equal to the same percentage of twenty-nine thousand six hundred and sixteen short tons, raw value, that the increase in the quota for Hawaii under section 202 is of one million fifty-two thousand short tons, raw value* may be filled by direct-consumption sugar.

(b) Not more than one hundred and twenty-six thousand and thirty-three short tons, raw value, of the quota for Puerto Rico for any calendar year may be filled by direct-consumption sugar **[.]** *which shall be principally of crystalline structure, plus an amount equal to the same percentage of one hundred twenty-six thousand and thirty-three short tons, raw value, that the increase in the quota for Puerto Rico under section 202 is of one million eighty thousand short tons, raw value, which latter amount may be filled by direct-consumption sugar whether or not principally of crystalline structure.*

\* \* \* \* \*

(h) **[The]** (1) *For the calendar year 1956, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar only to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: Provided, That each such country shall be permitted to enter an amount of direct-consumption sugar not less than the average amount entered by it during the years 1948, 1949, and 1950.*

(2) *For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: Provided, That such limitation shall not apply to countries receiving prorations under Section 202 (c) of 7,000 short tons or less. The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202 (c) of more than 7,000 short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954.*

### TITLE III—CONDITIONAL-PAYMENT PROVISIONS

SEC. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

\* \* \* \* \*

(b) That there shall not have been marketed (or processed), *except for livestock feed, or for the production of livestock feed, as determined by the Secretary, an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugarcane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate or foreign commerce, in excess of the proportionate share for the farm, as determined by the Secretary pursuant to the provisions of section 302, of the total quantity of sugar beets or sugarcane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carry-over inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.*

SEC. 302. \* \* \*

(b) In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets

and sugarcane marketed (or processed) *within the proportionate share* for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane, and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or share croppers [.] and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

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TITLE IV—GENERAL PROVISIONS

\* \* \* \* \*

Sec. 405. (a) Any person who knowingly violates, or attempts to violate, or who knowingly participates or aids in the violation of, any of the provisions of section 209, or any person who brings or imports into the continental United States direct-consumption sugar after the quantities specified in section 207 have been filled, shall forfeit to the United States the sum equal to three times the market value, at the time of the commission of any such act, [(a)] (1) of that quantity of sugar or liquid sugar by which any quota, proration, or allotment is exceeded, or [(b)] (2) of that quantity brought or imported into the continental United States after the quantities specified in section 207 have been filled, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

(b) Any person whose sugar processing operations otherwise meet the requirements of section 101 (n) and who subjects to such processes sugar imported or brought into the continental United States under a declaration that it is raw sugar but which sugar subsequently is determined to be of direct-consumption quality shall forfeit to the United States a sum equal to one cent per pound for each pound, raw value, of such sugar in excess of that part of the direct-consumption portion of the applicable quota or proration or allotment thereof remaining unfilled at the time of such determination, which forfeiture shall be recoverable in a civil suit brought in the name of the United States.

\* \* \* \* \*

Sec. 407. No person shall, while acting in any official capacity in the administration of this Act, invest or speculate in sugar or liquid sugar, contracts relating thereto, or the stock or membership interests of any association or corporation engaged in the production or manufacturing of sugar or liquid sugar. Any person violating this section shall upon conviction thereof be fined not more than \$10,000 or imprisoned not more than two years, or both. The provisions of this section shall not apply to persons whose services are obtained pursuant to section 305.

\* \* \* \* \*

Sec. 411. The Secretary is authorized to issue such regulations as may be necessary to carry out article 7 of the International Sugar Agreement for the Regulation of the Production and Marketing of Sugar (ratified by and with the advice and consent of the United States Senate on April 29, 1954), restricting importations of sugar into the United States from foreign countries not participating in such agreement, or to carry out the corresponding provisions of any such future agreements ratified by and with the advice and consent of the United States Senate.

[Sec. 411.] Sec. 412. The powers vested in the Secretary under this Act shall terminate on December 31, [1956] 1962, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1956] 1962 and previous crop years.

[Sec. 412.] Sec. 413. The provisions of this Act, except where an earlier effective date is provided for herein, shall become effective January 1, 1948. As provided in section 513 of the Sugar Act of 1937, the powers vested in the Secretary under that Act shall terminate on December 31, 1947, except that the Secretary shall have power to make payments under title III of that Act under programs thereunder applicable to the crop year 1947 and previous crop years.

## AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

## SEC. 4501

(c) **TERMINATION OF TAX.**—No tax shall be imposed under this subchapter on the manufacture, use, or importation of sugar or articles composed in chief value of sugar after June 30, [1957] 1963. Notwithstanding the provisions of subsection (a) or (b), no tax shall be imposed under this subchapter with respect to unsold sugar held by a manufacturer on June 30, [1957] 1963, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date. With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under subsection (b) has been paid and which, on June 30, [1957] 1963 are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar.

## SEC. 4502

(4) **TOTAL SUGARS.**—The term "total sugars" means the total amount of the sucrose [(Clerget)] and of the reducing or invert sugars. [The total sugars contained in any grade or type of manufactured sugar shall be ascertained in the manner prescribed in paragraphs 758, 759, 762, and 763 of the United States Customs Regulations (1931 edition).]

SEC. 4504. **IMPORT TAX IMPOSED AS TARIFF DUTY**

The tax imposed by section 4501 (b) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930 and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that for the purposes of sections 336 and 350 of such Act such tax shall not be considered a duty or import restriction, and except that no preference with respect to such tax shall be accorded any articles imported or brought into the United States and except that such tax may be subject to refunds as a tax under the provisions of section 6418 (a).

SEC. 6412. **FLOOR STOCKS REFUNDS**

(d) **SUGAR.**—With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under section 4501 (b) has been paid and which, on June 30, [1957] 1963, are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar.

SEC. 6418. **SUGAR**

(a) **USE AS LIVESTOCK FEED OR FOR DISTILLATION OF ALCOHOL.**—Upon the use of any manufactured sugar, or article manufactured therefrom, as livestock feed, or in the production of livestock feed, or for the distillation of alcohol, there shall be paid by the Secretary or his delegate to the person so using such manufactured sugar, or article manufactured therefrom, the amount of any tax paid under section 4501 [(a)] with respect thereto.

*Note.*—Section 22 of the bill provides that except as otherwise provided the amendments made by the bill shall become effective on January 1, 1956, except that sections 1 through 4 shall become effective upon publication in the Federal Register of regulations implementing such sections, or six months after the date of enactment of this Act, whichever is earlier.

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